

[21st February 1934]

* The Hon. the PRESIDENT:—"The question is—
'and on such consideration, this Council recommends to the Government that the fee for medical examination be restored to Rs. 7-8-0'."

The amendment was put and declared lost.

A poll was demanded and the House divided as follows:—

Ayes.

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| 1 Mr. T. Narasa Reddi. | 16 Mr. U. C. Subrahmanya Bhatt. |
| 2 " V. G. Vasudeva Pillai. | 17 " K. A. Nachiyappa Gounder. |
| 3 " G. Lakshmana Reddi. | 18 " P. Peddi Raju. |
| 4 " H. M. Jagannatham. | 19 Ahmed Meeran Sahib Bahadur. |
| 5 Rao Sahib P. Subrahmanyam Chetti. | 20 Diwan Bahadur B. Muniswami |
| 6 Mr. B. P. Sessa Reddi. | Nayudu. |
| 7 Diwan Bahadur A. Appadurai Pillai. | 21 Mr. K. P. Raman Menon. |
| 8 Mr. P. Bayappa Reddi. | 22 " M. S. Sreshta. |
| 9 Rao Bahadur T. A. Ramalingam | 23 " P. V. Krishnayya Choudari. |
| Chettiyar. | 24 Rai Sahib C. Kolanda Reddi. |
| 10 Mr. Sami Venkatachalam Chetti. | 25 Mr. K. Koti Reddi. |
| 11 Khan Bahadur Mahmud Schamnad | 26 Rao Bahadur C. Natesa Mudaliyar. |
| Sahib Bahadur. | 27 Diwan Bahadur S. Ellappa Chettiyar. |
| 12 B. Pocker Sahib Bahadur. | 28 Mr. G. R. Premayya. |
| 13 Mr. M. A. Manikkavelu Nayakar. | 29 " G. Simhachalam Pantulu. |
| 14 " Abdul Hameed Khan. | 30 Rao Sahib V. Dharmalingam Pillai. |
| 15 " Basheer Ahmed Sayeed. | |

Noes.

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| 1 The Hon. Khan Bahadur Sir Mahomed Usman Sahib Bahadur. | 11 Mr. H. M. Hood. |
| 2 " Diwan Bahadur Sir M. Krishnan Nayar. | 12 Diwan Bahadur N. Gopalaswami |
| 3 " Sir Archibald Campbell. | Ayyangar. |
| 4 " Sir Hopetoun Stokes. | 13 Mr. R. Madanagopal Nayudu. |
| 5 " Diwan Bahadur S. Kumaraswami Reddiyar. | 14 " E. Conran Smith. |
| 6 " the Raja of Bobbili. | 15 " T. Sundara Rao Nayudu. |
| 7 " Mr. P. T. Rajan. | 16 Khan Sahib Syed Taj-ud-din Sahib |
| 8 Mrs. K. Alamelumangathayaramma. | Bahadur. |
| 9 Diwan Bahadur V. N. Viswanatha Rao. | 17 Mr. G. Sriramulu. |
| 10 Mr. J. A. Thorne. | 18 Rao Bahadur D. Krishnamurti. |
| | 19 Rao Sahib D. V. Narasimhaswami. |
| | 20 " Pandit Ganala Ramamurti. |
| | 21 Mr. C. Basudev. |
| | 22 " R. M. Palat. |

Ayes 30. Noes 22.

The motion was carried.

Mr. M. S. Sreshta's amendment was, by leave, withdrawn.

IV.—REPORT OF THE PUBLIC ACCOUNTS COMMITTEE FOR 1931-32.

* The Hon. Sir HOPETOUN STOKES:—"Sir, I beg to move that—
'the Report of the Public Accounts Committee on the Appropriation Accounts of this Province and the Report of the Audit Officer thereon for the year 1931-32 be taken into consideration.'"

The Hon. Sir MAHOMED USMAN:—"I second it."

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Mr. BASHEER AHMED SAYEED:—" Sir, I beg to move the following amendment:—

and on such consideration this Council is of opinion—

- (1) *that with reference to paragraph 16 on pages 10 and 11 of the report the Chief Engineer's proposals should not be accepted for the reason among others that they are costly and involve wasteful methods;*
- (2) *that with reference to paragraph 19 on page 13 of the report there has been overbudgeting contrary to the Auditor-General's repeated warnings in respect of Kallars and under Grant XXVIII—Miscellaneous Departments—Transferred—Non-voted, and that no steps have been taken to surrender in time such heavy savings;*
- (3) *that with reference to paragraph 21 on page 16 of the report, action is called for against the officer or officers responsible for the expenditure on schemes of an experimental nature and of doubtful utility without reference to River Conservancy Works of proved necessity;*
- (4) *that with reference to paragraph 22 on pages 16 and 17 of the report the growth of irrigation under the Cauvery-Mettur Project cannot be adequately speeded up unless the reduction in the water-cess is so made as to take due note of the low level of prices of agricultural produce now prevailing; and*
- (5) *that with reference to paragraph 26 on pages 20 and 21 of the report the progress of reduction of charges on account of reduction of the Public Works Department establishment made in 1931-32 has not been visible and that the cost of establishment should always be subject to periodical examination with reference to works outlay alone and that the execution of works on the system of contracts by open tenders should be largely resorted to.'*

" In the first instance, I shall confine my remarks to the first point. This item relates to the Pykara Hydro-Electric scheme. Originally it was the idea that the commercial system of accounting should be introduced as soon as this work was completed. In the course of the completion of the works, the Government of India decided to abolish the commercial system of accounting so far as they were concerned, and they intimated that in future they will not have any commercial system of accounting, and that the Government of Madras should make their own arrangements with regard to accounting and auditing of the Pykara Hydro-Electric Works. Even when the matter was placed before the Public Accounts Committee, the Government had already resolved by G.O. No. 373, Works, dated 14th February 1933, that the Pykara Hydro-Electric scheme should be deemed to be on the same footing as an irrigation project. According to the Madras Public

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Accounts Department Code, irrigation projects are classed as productive or unproductive according to the conditions laid down there. It is to the effect that an irrigation work for which capital accounts are kept should, until ten years after the date of the closure of the construction of the system, be classed as productive if the net revenue anticipated appears likely to repay on the expiry of that period, the annual interest charges on the capital invested including direct and indirect charges, arrears of simple interest calculated at 6 per cent in the case of works sanctioned on or after 1st August 1921. If it is not expected to yield that return, it would be classed as unproductive. This decision which has been endorsed by the majority of the Public Accounts Committee myself alone dissenting, has placed the Hydro-Electric scheme in a very unsatisfactory condition as I conceive it. What was originally thought to be a very productive scheme, need not be classed now on the same footing as an irrigation work. The principle involved in an irrigation work being classified as productive or unproductive work is a very liberal one. But I do not concede that the same liberal principle should be applied in the case of a commercial concern like the Hydro-Electric Works at Pykara. It is true, Sir, in most of the concerns that Government undertook in recent years, the Government have never been able to show that the enterprise has succeeded to the benefit of the tax-payer. In respect of several concerns, the commercial system of accounting has revealed that a very large number of Government enterprises has failed. Now, Sir, in order to test whether the amount invested on the Pykara Hydro-Electric scheme is really going to lead in the long run to any profit, as was assured when it was started, the best thing to do would be to subject it to the system of commercial accounting. The Government have decided that that should go; and I am sorry that the Public Accounts Committee also has agreed with that. Not merely that; the further question has arisen now—and that is the direct point involved in my amendment this evening—and that is: what is the system of accounting that the Government are now going to introduce? In the note prepared by the Public Works Department, they have proposed an elaborate system of accounting which they want to introduce. I think, Sir, even to this day—I speak subject to correction—they have not come to any decision as to what exactly should be the system to be introduced in regard to the Pykara Hydro-Electric scheme. Probably that question is still under consideration with the Auditor-General or the Accountant-General or some auditing department. Whatever that might be, my complaint is that the note placed before the Public Accounts Committee did not reveal what exactly would be the ultimate cost of the Government scheme to be introduced. They propose to appoint two or three officers for the purpose; and certainly that would involve extra cost to the Government. I submit, that if this cost, the amount of which is not disclosed, is going to be incurred by the Government in regard to the Pykara Hydro-Electric scheme, there is every possibility of the work itself not proving to be a productive one. Already the first step has been taken in declaring that this work should be placed on the same basis as an irrigation work; and per-

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haps the next step will be—God forbid!—that it would be declared as an unproductive work. Already the overhead charges have been very heavy and the proportion, if worked out, would be found to be beyond the necessities of the case. If now you are again going to introduce a system of accounting which will further add to the overhead charges, then necessarily the profit to be realized from the hydro-electric scheme will be very small. On that ground, Sir, I submit that this scheme should not be introduced. The scheme proposed by the engineer should not be accepted. Apart from that, Sir, if the original system which was intended to be applied to this work is to be given up now, there would be no means for the public to know whether this concern is a commercial concern and whether it is going to yield any profit or not. Therefore, the new scheme should not be applied in the case of a purely commercial concern like this. That is my submission with regard to the first item of my amendment.

“The next item is—

‘that with reference to paragraph 19 on page 13 of the report there has been overbudgeting contrary to the Auditor-General’s repeated warnings in respect of Kallars and under Grant XXVIII—Miscellaneous Departments—Transferred—Non-voted, and that no steps have been taken to surrender in time such heavy savings;’

This relates to a case where a large provision was made in the budget, with the knowledge of the actual state of work at the time. I mean that when the provision was made in respect of Kallars, the Government were already in possession of information that the loans that were outstanding had not been realized and that Government themselves had not taken steps to realize those loans. Knowing that and knowing the difficulties in the way of the realization of the loans from the Kallars, the Government provided a huge sum in the budget. In regard also to the other item, regarding Motor Vehicles Taxation Act, the Government were in possession of full information of the progress of collections and distribution; and they anticipated that there would be a large saving. In spite of that, they provided a very huge sum in the budget, out of which Rs. 22 odd lakhs remained undisposed of. Again, at the time of the revised estimates, the Government were in possession of information; and yet, as stated by the Accountant-General, the amount of Rs. 22.38 lakhs was not surrendered in time. The explanation given to the Public Accounts Committee was not satisfactory. The Government merely excused themselves by saying that by oversight the amount was not surrendered. I admit, Sir, by oversight the amount was not surrendered in time; but yet, when the Government knew that the collection under the Motor Vehicles Taxation Act was rather slow and not up to their expectations, why should they provide for such a huge sum in the budget? Such cases it is that contribute to overbudgeting. Sir, overbudgeting was the common practice some years ago, but now the Hon. the Finance Member should be congratulated, and his Secretary too, for having pruned the practice and used the scissors to see that there was no overbudgeting in expenditure. Still, Sir, we find such items coming up, which show overbudgeting. I appeal to the Government, Sir, to see that when they are

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in possession of information with regard to the gradual progress of the collection and distribution of taxes or the collection of loans, etc., the amounts are surrendered in proper time. Otherwise, instances like these will go far to retard the progress of other works. If these Rs. 25 lakhs for instance had been made available for Part II schemes, a number of them could have been carried out. Such overbudgeting under certain heads make the other heads lose the benefit of the available money. I therefore submit that the present practice, though it obtains only to a very small extent now, should be curtailed in the future.

“The third item of the amendment is—

‘that with reference to paragraph 21 on page 16 of the report, action is called for against the officer or officers responsible for the expenditure on schemes of an experimental nature and of doubtful utility without reference to River Conservancy Works of proved necessity.’

“This is referred to in paragraph 26 at page 51 of the Accountant-General's report which runs thus:—

‘... during the local inspection of a certain division by the Audit office, it was found that the expenditure incurred by that division on River Conservancy Works had increased considerably in 1929-30 and 1930-31, the expenditure in these years being about Rs. 5 lakhs and Rs. 6 lakhs respectively as compared with the expenditure on these works in the previous three years of Rs. 1.6 lakhs, 3 lakhs and 3.5 lakhs, respectively. The rapid rise in expenditure was brought to the special notice of the head of the department, who, after an inspection of the works, observed that there had been a tendency of late to go in for most costly protective works, that there was absolutely no justification for the high expenditure under plantations and miscellaneous works, that expenditure should be confined only to items of proved necessity without embarking on schemes of experimental nature and of doubtful utility and finally that the total annual expenditure on these works should be limited to about Rs. 2.5 lakhs.’

That was the note of the executive head of the department in respect of Rs. 5 or Rs. 6 lakhs which had been spent by the subordinate officers. In the note placed before the Public Accounts Committee, it was explained that this was done under certain circumstances; but all that I am concerned with is that the circumstances as explained to the Committee in justification of this large expenditure, do not leave me convinced. On the other hand, I think that if the officers took the responsibility of spending such huge sums on works of doubtful utility, and on works of no proved necessity, the Government should have taken action against those officers, and particularly when the head of the department had observed that such things ought not to have happened. The Government now explain that they have prescribed a certain limit for future years. Well and good; but the attitude of the Government in regard to the expenditure of these Rs. 5 or Rs. 6 lakhs is not the one that they really should have taken. If the Government are going to rest content with stating that for the future certain limits have been prescribed within which river conservancy works should be undertaken, it would not be a correct attitude on their part; nor would it in any way discourage similar cases in the future. I would therefore urge that action is called for by the Government in this particular instance; the Government note is silent on this point. Such cases do deserve some drastic action, so that they might be held out as examples to those irresponsible officers of the Public Works Department who do

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not even heed to the observations, the remarks and the instructions of the head of their department.

The next item of my amendment is—

‘that with reference to paragraph 22 on pages 16 and 17 of the report, the growth of irrigation under the Cauvery-Mettur Project cannot be adequately speeded up unless the reduction in the water-cess is so made as to take due note of the low level of prices of agricultural produce now prevailing.’

With regard to this item, Sir, the work is nearing completion and there has been a saving of about Rs. 75 lakhs—of course I speak subject to correction. The Government have been warned by the Accountant-General that if they extend the period of bringing the total area contemplated to be served by this project to twelve years, then proportionately, the return from the investment would also be reduced. The percentage of revenue return and the margin of productivity would come down from Rs. 7.49 and Rs. 99.46 lakhs to Rs. 6.75 and Rs. 57.23 lakhs respectively, calculated with reference to the revised revenue forecast. The Accountant-General further remarks that:

‘An increase in the period of growth of new irrigation from eight to twelve years has thus diminished the productivity of the project in spite of the increased annual revenue anticipated. In addition, therefore, to economies in construction and to the realization of the full anticipated revenue at the water-rates prescribed by Government, it is a matter of prime importance that the growth of irrigation is speeded up as much as possible and this will no doubt engage the attention of the Finance Department of the Local Government which is responsible for estimating and watching the revenue receipts of the project.’

All that the Government have proposed to do is to appoint a special officer to enquire into the present condition and also to go about making propaganda for bringing a more extended area under irrigation connected with the Cauvery-Mettur Project. That alone, I submit, Sir, will not be sufficient. Under the conditions now prevailing with regard to the project, they have no doubt saved about 75 lakhs from the original revised estimate and there will not be any possibility to save any further. I think the economies will come to a dead stop with 75 lakhs or thereabouts. Now, according to the proposal of the Government, as explained by the note of the Public Works Department, they will reduce the present water-rate in proportion to the economies they have been able to make in the original estimate. I contend that that will not be adequate. That will not declare it a really productive and profit-yielding project. On the other hand, if they are not going to take into consideration the question of further reducing the water-rate in view of the present fall of prices, in view of the very large sum that they have invested and in view of the economies that are not going to be made hereafter, the project will have to be declared an unproductive one; and the period within which these three lakhs of acres would be brought under cultivation with the waters of the Cauvery-Mettur Project will have to be extended not to 12 years but even to 15 or 18 years. So, I submit, Sir, that in regard to this project, this reduction of water-rate will be so insufficient and insignificant as not to afford any great incentive to irrigation. The question of reducing the water-cess in consideration of the colossal fall in agricultural prices seems to have escaped the attention of the Government.

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It is not enough if they merely appoint a special officer to go into the question. On the other hand, I feel that this aspect cannot be ignored any further if the project is intended to earn any good profit at all. The present position of the project and the growth of irrigation thereunder, as revealed by the note of the Revenue Department, would call for an immediate examination of the question as to whether the percentage return fixed for productive works in general and for the Mettur project in particular should not be lowered in view of the changed conditions. Now, Sir, they have fixed 6 per cent as the unalterable figure as the yield from every project including the Cauvery-Mettur Project. That percentage was fixed years ago and that is being repeated in the case of every irrigation project, whether it be on a very large scale or a small scale. I consider that this is an old and antiquated system of calculation. Do the present circumstances justify that the rate of interest which is expected to be yielded on any project should be increased? No. The circumstances have so far changed that you cannot expect the 6 per cent return. Then the Government of India and the Secretary of State must be addressed on the question as to why this old system of 6 per cent should not be revised and the percentage reduced. Unless that is going to be done, I do not think the Cauvery-Mettur Project is going to be productive and if it is going to be declared an unproductive system, it will be a great loss to the public and also to the ratepayer and the calculations which were based on a return of 7.49 will not be realized and the large investment that has been made on the project would be declared as not yielding any return at all. I therefore suggest very strongly that the Government of Madras should address the Government of India and the Secretary of State as to why this 6 per cent should not be revised and a lower limit be not fixed, at least in the case of the Cauvery-Mettur Project taking into consideration the present circumstances and the discouraging features of the further growth of irrigation, particularly in view of the fall of prices all over the country.

“Then, Sir, the last item of my amendment refers to the Public Works Department and the relation of the cost of establishment to the total outlay, namely:

‘that with reference to paragraph 26 on pages 20 and 21 of the report of the progress of reduction of charges on account of reduction of the Public Works Department establishment made in 1931-32 has not been visible and that the cost of establishment should always be subject to periodical examination with reference to works outlay alone and that the execution of works on the system of contracts by open tenders should be largely resorted to.’

“Sir, in our Province, as hon. Members perhaps know, the proportion of the cost of establishment to the total outlay is still very great. A committee was no doubt appointed to go into the question as to how economies could be effected and that committee is said to have made a report, which was placed at the disposal of the Public Accounts Committee also. Now, the Government in their note sought to justify our ratio on the ground that the ratio of the cost of establishment to the total outlay in the United Provinces, in the Punjab and in Bombay, was about 50 and 60 or 40 and 50. I submit, Sir, that ratio is not a safe guide; and

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how that ratio has been obtained was not made clear to the Public Accounts Committee. Anyhow, the fact that in other provinces the ratio has been higher and that we are keeping within 35 or 40 per cent should not be a consolation or justification. Besides, it was assured by the Government that the result of the recommendation of the Public Works Establishment Committee would be known only in the succeeding years. successive years have elapsed and Government are not in a position to say what exactly was the economy and how it occurred. It would therefore have been better for the Committee to have dealt with the question as to what the result of their recommendations would have been if they had been adopted.

" The Public Works Establishment Committee have admitted that the economic employment of the establishment requires careful examination by the Government. They say in one breath, there is not enough work for the Public Works establishment and if there is enough work they will be able to reduce the ratio of cost of establishment to the total outlay on works. At the same time, they say that the establishment could not be reduced. I have not brought the copy of the report. They say that the present establishment in the Public Works Department is the minimum and that it cannot be reduced. Honourable Members will realize that there is contradiction in terms. If this is the minimum of establishment, then there should be no possibility of any reduction. On the other hand, if there is less work for these officers and the establishment, it means there is some excess in the establishment and more hands have been entertained than are really necessary. If the minimum establishment is capable of spending much more than the amounts placed at their disposal, then it cannot be the real minimum and it must be capable of further reduction. The point as to efficiency is not intelligible either, when it is expected that there is not enough work for the establishment employed, on account of reduced expenditure. Thus, it is evident that the percentage of establishment charges is very high and should be capable of reduction to the absolute minimum.

" Now, Sir, there is one method of reducing the cost of establishment and its ratio to the total expenditure on works and that is commonly known as reducing the work directly done by the Public Works Department and getting all the work done under contract. If the Government would only pursue a policy of resorting in a larger measure to the system of doing every work through contract, there is the possibility of the ratio of cost being reduced. I suggest that the Government do take into consideration this aspect of the question with a view to reduce the cost of establishment. Government should put a stop to the practice of directly dealing with works, even supervision and the employment of coolies by themselves, etc. Unless there is absolute necessity of the work being carried out by the department directly, there should be no recourse to the department itself doing such work. I suggest that the Government should consider this point of view also and see that the cost of establishment is further reduced.

" Further, there is one other point involved in this. The Committee on the recommendation of the Government have accepted to the detriment of the taxpayer and of efficiency of the department itself, and

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to the lack of control by the public and the Legislative Council, the system of not relating the cost of establishment to the total works outlay. I consider that this is a pernicious decision. The very little control or the very little supervision that could be exercised by the person who pays the tax to the Government, is lost by the adoption of such a method. Unless and until we reduce the proportion of the cost of establishment to the actual expenditure on the works, it will not be possible to see whether any work has ended in any benefit to the taxpayer or ended in a loss to him. For instance, if out of Rs. 100 that is going to be invested in a small building, a sum of Rs. 35 or Rs. 40 is to be devoured by the person who supervises the work, it does not add to the benefit of the taxpayer who gets only 60 per cent out of the amount that he has to pay. If, on the other hand, the work could be done with 20 per cent and 80 per cent benefit goes to the taxpayer, it would certainly add to the benefit of the taxpayer and the public treasury. The decision of the majority of the Committee in this respect is not conducive either to the nation or to the interests of the public or even to the general taxpayer. I therefore suggest that the present practice should be continued and should not be given up however inconvenient it might be to the Public Works Department. The only reason I find, why this practice is sought to be given up is, that it is inconvenient to the Public Works Department, and that it comes under criticism very often from the public men and public press. Simply because, it is inconvenient to the Public Works Department and would put the department in an awkward hole, Government should not deny the public as to what exactly is the establishment charges on any scheme of work. I therefore submit that the present practice should not be given up and must be continued."

Mr. K. A. NACHIAPPA GOUNDER :—" I second it, Sir."

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* The Hon. Sir HOPETOUN STOKES :—" Sir, the first point raised by my hon. Friend, Mr. Basheer Ahmed Sayeed, relates to the system of accounts maintained for the Pykara scheme. He is afraid that, if we adopt the proposals of the Chief Engineer for a separate system of accounts, we would have to incur additional expenditure. I understand his position is that it will prove very costly and will result in additional overhead charges, rendering the scheme no longer remunerative. Well, Sir, I may explain that, as a matter of fact, the proposals of the Chief Engineer have not been finally adopted. The matter is a very complicated one and is the subject of correspondence between ourselves and the Auditor-General as to how far the Auditor-General can undertake responsibility for anything other than the audit of expenditure. And at the moment we have arrived at a temporary arrangement for one year by which, as a sort of compromise, there is to be an auditor in control. The Accountant-General is to be in general charge and the existing staff is to be continued as a temporary measure until the final form or method of accounting is arrived at. My Friend, Mr. Basheer Ahmed, objected to the system of treating the Pykara scheme on the lines of an irrigation project. The orders passed, I think, have reference only to the period of construction. But the main question as to how we ultimately are going to account for the expenditure and receipts and provide for the calculation of profits, is still under consideration, and I can assure the hon. Member

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that the points that he has pressed on us will not be overlooked when the Government come to arrive at a final decision.

“ The second point to which my hon. Friend draws attention is over-budgeting; he first refers in this connexion to the grant for Kallars and secondly to the failure of the Government, as he says, to issue timely orders to enable surrenders to be made in time. As regards the sum of money covered by the first point relating to the outstanding dues from the Kallars, he puts the figure at Rs. 2,63,000 as the allotment made. May I point out to him that the figure Rs. 2,63,000 includes over a lakh of rupees which has nothing to do with the Kallars but represents loans for the acquisition of house-sites for Adi-Dravidas? The actual amount of money which relates to the Kallar Co-operative Societies which is included in the figure of Rs. 2,63,000 is only Rs. 1,40,000. It is quite true that the heavy overdues of the Kallars had been noticed by the Government at least two years before, and special orders were passed to deal with that position. In October 1931, that is after the Budget for 1931-32 had been passed, the Commissioner of Labour was asked to take vigorous steps to collect these arrears and to submit quarterly statements of demand, collection and balance relating to these loans, so that Government might be kept informed of the position. But it was not until March 1932 that the Commissioner of Labour who controlled these loans (and not the Government) issued orders restricting the advances to Kallars in view of the poor collections. In subsequent years the Budget provision for Kallar grants has been considerably reduced owing to the very bad collections, and quite recently Government have called for an annual review of the position by the Commissioner of Labour in addition to the quarterly statements which had been prescribed. It is hoped that by these measures we shall have a more effective check in the matter of budgeting in respect of these loans and that we shall avoid over-budgeting.

“ Then, the other point which my Friend, has taken exception to is that the Government did not issue timely orders to enable surrenders to be made in time. I already mentioned that the orders in question were issued by the Commissioner of Labour who controls these loans and not by the Government, and his orders were too late to be effective as regards over-budgeting. On the general question of over-budgeting, as the hon. Member is aware, the Finance Department have been taking special steps in the matter. It is quite true, as he pointed out—and I think I admitted it in one of my Budget speeches, probably for 1931-32—that it had existed and we were taking steps to correct it. The hon. Member, referring to this point, has asked ‘ Why is it allowed still to go on? ’ I am rather puzzled by that remark because this matter relates to the Budget of 1931-32 and not to the up-to-date Budget. Therefore he is now criticising the budgeting of a period before steps were taken to check over-budgeting and not the present period. He is entirely right when he says that over-budgeting should be checked in future, and I hope that the efforts that we are making and have made in that direction will have the desired effect.

“ The third matter to which he has drawn attention is the expenditure relating to the Godavari conservancy. My Hon. Colleague, the

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Revenue Member will, with your permission, Sir, reply to that point as also to the points covering water-cess.

"That brings me then to the last point which my hon. Friend, dealt with, that is, the Public Works Establishment charges. There is one point in connexion with the Mettur Project to which my hon. Friend, drew attention, and that is the general question as to whether, in view of the falling interest rates, the standard figure of 6 per cent as representing the return from a good productive scheme should not be re-examined. As to that I have only to say that I am quite willing that we should go into that question. But it is not a matter which we can deal with ourselves as we have to address the Government of India about it. The existing rate of 6 per cent was fixed in 1921-22, by the Secretary of State. It was suggested in 1927, when there was a conference of financial representatives that the rate should be reduced to about 5 per cent. But at that time the Government of India intimated that they had examined the question of reducing the existing rate with reference to the trend of the rate of interest at which they themselves could borrow and came to the conclusion that the standard of productivity could not at present be reduced. That is what they said in 1927. The rate of interest on the Government of India's borrowings at the present time, the effective rate, is about $4\frac{1}{4}$ now, as it was in 1927 also, so that it is rather doubtful whether they would reconsider their former decision. But, as I said, I am willing to consider the question on my hon. Friend's suggestion and see whether we are likely to derive any benefit by taking up the matter with them.

"Then, the last point my hon. Friend raised was about the Public Works Establishment charges. He attacked the Public Works Committee with, may I say, considerable effect. The position, as already stated, I think, is that we have in the past three years effected very considerable reductions in the amount of works expenditure. Under the Irrigation Department it has gone down from about Rs. 73 lakhs in 1930-31, to about Rs. 59 lakhs in 1932-33. Under Civil Works, Roads and Buildings, it has gone down from nearly Rs. 87 lakhs to Rs. 51 lakhs during the same period. The result of that is that the establishment charges in the same period under Irrigation have gone down from Rs. 21 lakhs to Rs. 20 lakhs and under Civil Works it has gone down from Rs. $22\frac{1}{2}$ lakhs to roughly Rs. $15\frac{1}{2}$ lakhs. So that, we have made a considerable reduction in the establishment charges. But the point I want to stress is, that it is much easier to reduce works expenditure than it is to reduce establishment charges. If you take the figures for 1932-33, and compare the establishment charges of Rs. $15\frac{1}{2}$ lakhs with the works outlay of Rs. 51 lakhs for the same period, we still have 31 per cent as compared with 29 and 26 in the previous years. There must inevitably be a lag between the rate at which you get rid of your establishment and the rate at which you reduce your expenditure. Another point which I think has to be borne in mind is that there is always a certain irreducible minimum of work to be done for which a certain minimum of establishment is necessary. What exactly that minimum is it is very difficult to say. The Public Works Committee

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thought that the existing establishment was the minimum and they went further and said, I think, that it was scarcely worth while to go into the question at all. On that may I say that there is room for further examination, and I think that was in effect the view of the Public Accounts Committee. In my opinion, although it is not possible to base the staff solely on the outlay, this has to be regarded as an important factor. And when the financial conditions become a bit more stable, that is to say, when we may hope that we shall cease to be compelled to effect these drastic cuts in expenditure, I hope it will be possible to relate more satisfactorily the cost of establishment to the works expenditure. I can assure the hon. Member that we shall not lose sight of the desirability of observing as far as possible a relation of that kind."

* The Hon. Sir ARCHIBALD CAMPBELL:—"Mr. President, Sir, the first point with which I have to deal is the question of the expenditure on conservancy works in Godavari. Previous to 1921 there was a special conservancy division in charge of these works. As a measure of retrenchment that division was abolished in 1921, but it was found necessary to revive it again in 1927. Previous to the abolition, the expenditure every year usually exceeded 2 lakhs. In 1920-21 the expenditure was Rs. 2,37,000. After the abolition the annual expenditure fell very materially and was generally a little over a lakh, and in 1924-25 it was as low as Rs. 84,000.

"The result was that the works fell into a bad state of repair. For want of funds no permanent protection works were done but only temporary works during high floods to safeguard the margins. Considerable leeway had to be made after the revival of the division in 1927 and during the next four years, 3, 3½, 5 and 6 lakhs respectively were spent. The Chief Engineer inspected the works in December 1931 and then made the remarks quoted by the Accountant-General that the expenditure had gone up considerably. He expressed the view that the total expenditure should not be allowed to exceed 3 lakhs, and that it should be nearer 2½ than 3 lakhs. Taking the ten years 1921 to 1931, I find that the total expenditure in the ten years was 25 lakhs, i.e., just 2½ lakhs a year. The expenditure taken as a whole has therefore not been unduly high even according to the views of the late Chief Engineer. Recently in October last there were floods in Godavari, a considerable quantity of sand was deposited in front of the main sluices in the Godavari Eastern delta so that the river water was completely cut off from the head sluices. The only way in which the local officers were able to divert water to the eastern delta was through the scouring sluices at the eastern end of the anicut. Anyone who has seen the sand shoal would realize what an extremely dangerous situation had resulted from its formation. It would have been a very serious matter if water had been completely cut off, as it nearly was, from the whole of the eastern delta. By the time I went there in January, a small channel had been dug to connect the head-sluices with the main river and steps were being taken to clear a larger channel. That may form some palliative for the time being. Naturally I asked what was the reason for such a thing happening now as it never happened before and the answer was the cause was the neglect of the work of conservancy between the

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Rajahmundry bridge and the Dowleshweram anicut owing to retrenchment. The results of the retrenchment have been very serious as we now see and I feel the engineers were fully justified in taking what measures they could to overcome the unwise economies in the past.

"As regards the rates of water-cess in the Mettur area in Tanjore district the hon. Member seems to think that the Government had not taken into consideration the present low prices. I can assure the hon. Member that we have very carefully considered this point and will also consider it when the question of the permanent reduction in the water-rates owing to reduction in the cost of the Mettur Project is taken into consideration. We have already provided in the rules which have been published for considerable reduction in the water-cess during this year and next year. The rates, generally speaking, are one-third of what we might call the standard rates for Mettur this year. These are subject to the general suspension of $12\frac{1}{2}$ per cent on account of the present economic situation. Up to the end of December 1933 the new area under cultivation amounted to 29,560 acres against the forecast of 32,000 for the first crop. The second crop amounted to 2,000 acres in addition. I think, Sir, it may be said that we have done very well this year considering the low prices and the opposition that was organized against the scheme. As regards the future we have asked the Board of Revenue to submit definite recommendations as to the rates of water-cess which should be charged in the next two faslis and directed that they should give very careful consideration to the prevailing prices. I may mention that I had a conference at Mettur myself last October on this question and it was then very carefully considered with special reference to low prices."

Mr. BASEER AHMED SAYEED:—"If it is the wish of the Hon. the Finance Member and the Hon. the Revenue Member and since I think the general belief is that the purpose of this amendment has been served I may not press the amendment."

The amendment was by leave withdrawn.

The Hon. the Finance Member's motion was put and carried.

* The Hon. the PRESIDENT:—"The House will now adjourn and meet again on Friday the 23rd at 11 a.m."

V.—PAPERS LAID ON THE TABLE OF THE HOUSE.

^a 1. G.O. No. 400, L. & M., dated 22nd January 1934, extending the term of members of certain panchayats.

^b 2. G.O. No. 33, Development, dated 9th January 1934, recording the Audit Report on the Accounts of the Government Industrial Engineering Workshops, Madras.

^c 3. G.O. No. 61 I., dated 6th January 1934, abandoning the Mella-rugu project, Guntur.

R. V. KRISHNA AYYAR,
Secretary to the Legislative Council.

^a Published in the Fort St. George Gazette.

^b Printed separately.

^c Printed as Appendix VIII on pages 114-115 infra.